

MID-DAY COMMENTS

August 11, 2017

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HIGHLIGHTS: MACRO: Tech and Health Care stocks propping the market up; the CPI revealed a .1% gain in July, ½ of what econ types had expected and reducing the likelihood of a Fed rate increase again this year. **Wall Street: a tad higher:** Dow: **+40**; NAS, **+34**; S&P, **+5.5**. **Europe: Lower:** DAX, **-0.0%**; FTSE, **-1.08%**; CAC, **-1.06%**. **EXTERNALS: Sep Gold—risk off, +15.0 @ \$1,273; \$ Index, +.025 @ 93.540; Oct crude, +\$0.16 @ \$49.51; Brazil Real (Sep) 3.1601, -0.77%.** **T-Storm Weather:** The recent unseasonable cool pattern should break early next week and a quick return is not likely. T-storms form along the southern and western periphery through early next week. Although some rain events may creep as far east as the dry-land areas of eastern NE and western IA-MN, the driest areas of the Corn Belt are expected to remain fairly dry into at least midweek. Scattered t-storms follow within a large area over Wed.-Fri. (Aug. 16-18) as the warmer period stimulates storm development with ½ to 1" most probable. Rain chances beyond next Fri. are as yet undefined with the next two weeks being critical for the dryer soybean areas of the Corn Belt. **Highlights:** (1) Excluding some rain yesterday, 20% of U.S. soybeans have received less than 0.50" over the prior 2 weeks; (2) Rain is most needed from eastern NE through IA, northern MO, and much of IL, IN, MI, OH, and WI; (3) No change: 1.00" to 2.00" affects the southern 5%-10% of corn and soybeans through Tuesday and especially for the Delta; (4) No change: some t-storms produce scattered 0.50" to 1.00" amounts in NE and the Dakotas Sat.-Tue; (5) No change: 0.50" to 1.00" of rain is most probable for most corn and soybeans Wed.-Fri. **EUROPE:** UK Nov Feed wheat, **-2 ½ @ \$5.00 ½**; French Nov Maize. **-6 @ \$4.87 ¾**; French Sep Milling Wheat. **-4 @ \$5.12 ¼**

Corn

- **Corn said to be higher on technical rebounding; oversold: CU: +\$.0275; CZ: +\$.0275**
- **Spreads—CU17/CZ17: -13 ¾, unch; CZ17/CH18: -12, unch; CZ17/CK18: -18, up ¼; CZ17/CN18: -23 ¾, down ¼; CH18/CK18: -6, up ¼; CK18/CN18: -5 ¾, down ½; CN18/CU18: -3 ¾, down ½; CU18/CZ18: -6 ¼, unch**
- **CIF: AUG: 28/33, bid up 1/asked 4 higher; SEP: 37/41, bid/asked 6 higher; OCT: 30/--, bid 1 higher; Brazil: AUG: 20/25, steady; SEP: 20/30, steady; OCT: 20/25, steady. Ethanol: Cedar Rapids, -18 CU, steady; Blair, -28 CU, steady; Decatur, 0 CU, steady; Fort Dodge, -27 CU, unch; IN, +3 CU to +15 CU, up 2 on the top end. Hereford: AUG, 55 CU, unch; SEP: 60, CU, steady. TX Gulf FOB Milo: 105 CZ, up 6. CIF Milo, 60 CZ, steady**
- **Week of 8/13 Barge Freight:** IL River, 295/305, unch; Upper Miss: 340/350, 5 higher; Mid Miss: 295/305, steady; STL, 200/210, unch; OH River, 240/250, steady; Mem-Cairo: 180/190, steady. Mid-IL Oct: 390/400, steady
- Monday's crop ratings: corn steady to up 1
- **Brazil corn line-up:** down 2 mbu to 152; versus 140 LW and 98 a year ago
- **Bloomberg Trader Bias:** 58% bullish (41% LW); Bearish, 17% (18%)
- **BA Grain Exchange** maintains 39 MMT Argentine corn crop estimate with harvest 77.5% complete
- **Daily highs in Serbia, Romania, Hungary and Croatia** again reached 104 F on Thursday with experts reporting an estimated 60% of Serbia's corn crop destroyed. The USDA is forecasting a 13% decline in Serbia's crop to 6.6 MMT. A 60% loss would leave domestic supplies including stocks, 1.2 MMT short of consumption and necessitate imports of the same magnitude
- **Indonesia's demand** for feed grains is rising 7% year, driven by a rapidly expanding livestock sector. However, corn imports have declined 85% (3 MMT) in the past 5 years as output has kept pace with demand
- **Bloomberg article says ocean shipping costs** could increase 20-30% should war break out with North Korea
- **China's Meihu company** plans a 3 MMT per year corn processing plant in Jilin province, to be fully operational within 6 years
- **Sinograin** sells 26% of the 1.3 MMT of corn offered for auction today at 1,413 yuan/MT (\$5.39/bu)
- **French corn crop** remains estimated at 79% good/very good, 11 points higher than a year ago
- **Dalian January corn futures** posted a 2 cent gain on Friday, settling at \$6.54 ¼ (1 Yuan = .150-18 US \$)

Soybeans

- **Technical bounce after yesterday's post report sell-off; shorts taking some profit: SU: +\$.0150; SX: +\$.0250; SMU: +\$.2.90; SMV: +\$.3.10; BOU: -\$.0012; BOV: -.0020**
- **Spreads: SQ/SU: -1 ½, up 1 ¾; SU17/SX17: -7 ¼, down 1; SX17/SF18: -8 ¾, unch; SX17/SH18: -17, down ½; SX17/SK18: -24 ¾, down ¾; SX17/SN18: -31 ½, down 1 ¼. SMQ/SMU: -\$1.50, +\$.0.01; BOQ/BOU: -.07, -0.02**

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- **CIF: AUG:** 46/49, bid down 1/asked 2 lower; **SEP:** 46/48, asked 2 lower; **BRAZIL: AUG:** 90/100, unch; **SEP:** 90/98, steady. **BOARD CRUSH: (U/U)**, \$.91 ¼, up 2 ¾. **CASH CRUSH:** Central: \$1.14, +2; East: \$1.375, 0; West: \$1.09, +1
- **Daily Sales Announcement-**USDA says exporters sold 120 K MT of SB to China; ½ for shipment in 16/17 and the other half in 17/18
- **“Defies explanation”** says one rather well-respected crop consultant in regards to the USDA’s corn and soybean yield estimates; doubtful if either will go up in September
- Monday’s **soybean ratings** expected to be 1 higher
- **Brazil export line-up:** SB 2 mbu lower on Wednesday to 123 mbu; down 24 week to week and versus 64 million LY
- **Bloomberg Trader Bias:** Bullish, 8% TW (19% LW); Bearish, 33% TW (41% LW)
- **Oct Palm Oil** was up as much as 0.7% to 2,582 ringgit/MT in a volatile day of trading
- **Malaysia’s end of July PO stocks** surged 16.8% m/m to 1.78, the largest increase in more than 2 years as production increased over 20% to 1.83 MMT
- **Dalian futures:** Jan SB: unlike the CME, off only slightly--\$.03—to \$16.23; Jan SBM: \$5.82 lower at \$377.26; Jan SBO: 33 points higher at \$.4296/lb . One source puts Chinese cash crush margins at a positive \$1.05, up from \$.66 per bushel LW and versus only \$.02 a year ago

Wheat

- **Lack of supportive news, ample global supplies as USDA boosts Black Sea crop estimate with stocks expected to rise even further this year: WU: -\$0.0475; KWU: -\$0.10; MWU: -\$0.2275**
- **Spreads: WU/WZ:** -27 ¾, up ½; **KWU/KWZ:** -28, off ½; **MWU/MWZ:** -14 ½, 2 ¼ lower
- **CIF: SRW: AUG:** 36/48, bid 1 higher; **SEP:** 50/60, unch; **HRW -12% Pro: AUG:** 131/--, unch; **AUG:** 145 U/--, unch
- **Mondays crop ratings** report likely to see soft white conditions
- SovEcon raised **Russian wheat crop estimate** 5 MMT to 77.9 (note the USDA went from 72.0 to 77.5 yesterday)
- **France’s wheat crop harvest** is 97% complete, 23 points ahead of the 2016 pace
- Credit Suisse lowers **Australia’s NSW’s wheat crop** by 1.8 MMT, down to 18.1 due to dry conditions
- BA GX makes no change in **Argentine wheat area**—5.4 million hectares with planting 98% finished; 74% rated good
- **Bloomberg Trader Bias:** Bullish, 40% TW (19% LW); Bearish, 0% TW (31% LW)